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C O N F I D E N T I A L SECTION 01 OF 02 ALGIERS 001652

SIPDIS

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TAGS: [ECON](#) [EINV](#) [PGOV](#) [EPET](#) [AG](#)

SUBJECT: GOA MOVES TO STOP CORRUPTION

Classified By: Ambassador Richard W. Erdman, reasons 1.4(b)(d).

SUMMARY

1. (C) A growing realization of the economic and development costs of pervasive corruption in Algeria, coupled with reported pressure from some key senior military figures, is prompting increased government efforts against corruption. Over the past several months, President Bouteflika has made a number of high profile statements highlighting the evils of corruption and indicating that no one, regardless of his position or rank, will be immune from government prosecution. Prime Minister Ouyahia also launched his politically controversial "mains propres" (clean hands) initiative. A new law on corruption was passed in June enlarging the definition of corruption to include any kind of "illicit enrichment", stiffening penalties for such offenses, and establishing a new government body to design and implement a national anti-corruption strategy. While the government has only tackled the tip of the corruption iceberg, it has begun to send pointed messages about its seriousness in cracking down by: convicting senior government officials (the Wali of Blida and former Wali of Oran), a retired senior military officer, the transportation director of Oran; dismissing 55 customs officers, including several senior officials; convicting, dismissing, or reprimanding several judges; and, most significant of all, suspending and prosecuting 20 officials from Sonatrach, Algeria's hitherto sacrosanct cash-cow. (End Summary.)

GOA CRACKS DOWN ON CORRUPTION

2. (C) A source with close ties to the senior military recently told Ambassador that a key motivating factor behind increased Algerian leadership efforts against corruption over the last several months was a memo to President Bouteflika from Military Intelligence Director Tewfik Mediane. In this memo, Mediane apparently expressed alarm over the dimensions of the corruption problem and the need to address it by sending a clear message to officials at all levels that corrupt practices will no longer be tolerated. This same contact, who has advised the senior military on a number of issues and is in close contact with President Bouteflika, told the Ambassador over a year ago he was advising that the only way to address pervasive corruption was to go after some high profile targets in order to set an example and send a clear message to all officials. This same source said that recent actions (see below) against mid-level managers in Sonatrach was part of a deliberate effort to warn more senior officials.

BOUTEFLIKA: NO ONE WILL BE IMMUNE

3. (C) In this context, Bouteflika launched the anti-corruption campaign with a high-profile speech in March in which he highlighted the costs of corruption for national development and made clear that no one, regardless of his or her position, would be immune from prosecution. Since then, there have been a number of high-profile investigations, prosecutions, and convictions. The most prominent of these has been the suspension and investigation in June of at least 20 managers of Sonatrach for suspected violations of contract awarding procedures. While the daily El Watan broke the story June 25, claiming that 130 officials of Sonatrach and subsidiary firms like Naftec and Naftal, had been dismissed following an official audit, Energy Minister Khelil the same day told the Ambassador and subsequently the press that only 20 employees were under investigation for contract award irregularities and had been suspended rather than dismissed. (Comment: At Khelil's initiative, Algeria in 2001 adopted the "Baosem rules" for oil and gas tenders, which provide for lowest-price automaticity and are supposed to increase transparency. Press articles this week quoted Khelil as saying the number of suspended Sonatrach employees was 24.)

4. (C) Oil industry sources separately told Ambassador that over-invoicing, leaking information to interested parties, and tailoring tender specifications in return for kickbacks were thought to be involved. According to El Watan, one particular case under investigation involved over-invoicing the purchase of improper gaskets from an international firm, which the paper went on to speculate may have been a factor in the Arzew LNG plant explosion last year. More recently,

El Watan reported August 3 that Khelil sent a formal letter to Sonatrach Director Mohamed Meziane, who has notably made no public statements on the apparent scandal, demanding all documentation on recent sales. Separately, an adviser to Privatization Minister Temmar recently acknowledged to Econ officer that "vested interests" who have benefited from corruption were themselves now trying to adapt to the new market-based economy in order to maintain the profitability of their operations. The anti-corruption or "Clean Hands" campaign, as it has been labeled, has been criticized by some officials, including the President's Personal Representative Belkhadem, who see the crackdowns at local and Wilaya levels as unfairly targeting FLN officials involved in customs scandals, false invoicing, or illegal property transactions.

#### ANTI-CORRUPTION LAW PASSES PARLIAMENT

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15. (U) The Anti-Corruption Law passed Parliament in June and is expected to pass the Senate in September. (The law was expected to have passed the Senate in June, but did not make it onto the Senate's pre-vacation calendar.) The law reinforces existing legislation to comply with the U.N. Convention against Corruption and contains provisions to promote transparency in government and public procurement. The legislation also contains new categories of crime (such as "illicit enrichment"), reinforces existing penal sanctions, and creates a new national organization to design and implement a national anti-corruption strategy. The law legitimizes the GOA's "Clean Hands" campaign that, in the words of Head of Government Ouyahia, would spare no one in government, including local officials.

#### ACTIONS AGAINST CORRUPTION IN ORAN AND BLIDA SEND A SIGNAL

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16. (U) Many high-profile cases surfaced in the past several months. In April, a criminal tribunal delivered guilty verdicts on corruption charges against the ex-wali of Blida, Bachir Frik, and ex-director of the real estate development agency in Oran, Laoufi Tayeb. Both were sentenced to 8 years in prison and a fine of 500,000 Algerian dinars (roughly \$7,000). In Oran, the ex-Wali was prosecuted on corruption charges. Also in Oran, the wilaya's transportation director was taken into custody on charges of "abuse of authority," "abuse of public confidence," blackmail, and corruption.

17. (U) In another case, Jutop beverage company's director Cherif Abderezzak was jailed July 8 for forgery, use of forged documents, and misappropriation of public properties and agricultural lands in Blida. Abderezzak, using forged documents approved by the former Wali of Blida, allegedly took possession of three hectares of land, which he did not own, for development of a mineral water plant and a dairy products plant. Abderezzak was also able to submit the paperwork and gain approval for the entire project within 41 days, an amazingly short period of time, leading observers to question the transaction. The Director of Construction and Urbanism from the Wilaya of Blida was also jailed for his alleged involvement.

#### CORRUPTION IN CUSTOMS AND THE JUDICIARY

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18. (U) Le Quotidien D'Oran, a respected French-language daily, reported in February that the senior Algerian customs official, Director General Sid Ali Lebib, said that 55 customs officers, 11 of whom were senior officers, had been dismissed. Lebib indicated the dishonest behavior was discovered as a result of thorough investigations into corruption and embezzlement and that the results were "solid." He said the fight against corruption within the cadre of customs officers was very serious and that actions tarnishing the reputation of customs officers would not be tolerated. For its part, the Ministry of Justice Inspector General led investigations in April against 40 judges and disciplined 20 others, eight of whom, according to press reports, were dismissed from their positions.

ERDMAN